

## **PART 2. ASSESSMENT, TARGETING, INSTITUTIONAL STRUCTURE, AND PUBLIC PARTICIPATION**

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Part 2 of the CAPER presents an 1) assessment of the FY 2005 Action Plan accomplishments in expanding homeownership, sustaining current owners, increasing the supply of affordable housing, and providing non-housing community/economic development for low and moderate income residents; 2) identifies the challenges that were encountered; and 3) discusses strategies and actions taken to overcome obstacles, such as targeting; coordination through the organizational structure and increasing outreach and public education.

### **1. Assessment of Fiscal Year 2005 Accomplishments**

A description of all DHCD Programs is attached in Appendix C, starting on page 108.

#### ***a) Expanding Homeownership***

##### **The Home Purchase Assistance Program (HPAP)**

FY 2005, represented the first full fiscal year that DHCD provided increased loan levels for first-time homebuyers with incomes less than or equal to 80% of Area Median Income (AMI) to try to keep pace with the rapidly increasing cost of housing. These loan levels had been approved by the DC Council in 2004. The maximum amount for HPAP loans for low-income homebuyers was increased to \$20,000, and for very-low income homebuyers, it was increased to \$30,000. Loans for moderate-income first-time homebuyers remained at a maximum of \$10,000. Payments on all loans are deferred for at least five years.

Even with these enhancements, HPAP fell short of its FY 2005 Action Plan goal to provide 240 loans for down payment and closing costs to first-time buyers. (2005 Action Plan, Table 3, Page 38) The program provided 194 loans to first time homebuyers. Of households assisted under HPAP, 153 identified themselves as Black, twenty (20) as Hispanic, seventeen (17) as White, two as Native American, one as Asian and one as "other".

While there continued to be very strong interest demonstrated in the Department's first-time homebuyer assistance programs, it has been increasingly difficult for HPAP applicants to find homes to purchase even with HPAP assistance due to the intense competition for the limited inventory of affordable homes in the District. The average sale price of homes purchased by DHCD clients in FY 2005 was \$161,679, while the average client household income was \$39,841. The median cost of single family housing in the District of Columbia has been greater than \$335,000 since early 2005. DHCD is recommending to the Mayor and Council substantial regulatory program changes for FY 2006 to serve more income-

qualified home buying clients. To address the situation, in early FY 2006, a series of recommendations will be made to the Mayor and Council for changes to local regulations governing the District's homebuyer assistance program to allow increased levels of assistance and greater overall program flexibility.

**American Dream Down Payment Initiative (ADDI):**

The goal of providing first-time homebuyer assistance to 70 very-low income households was met. (2005 Action Plan Table 3, page 39) All HUD-year 2003 and 2004 HOME funds designated for the American Dream Downpayment Initiative were expended for first-time homebuyer assistance loans in the District's FY 2005..

**Homestead Housing**

The FY 2005 Homestead Program budget provided project delivery support for the continuing home rehabilitation efforts associated with 16 housing units that had been made available through Homestead lotteries in past years. Of these 16 rehabilitation efforts, 10 were completed in FY 2005. Two more were more than 90% completed at the close of the fiscal year, with only minor items to be completed prior to occupancy. This level of achievement exceeded the FY objective of five units assisted. (2005 Action Plan Table 3, (See also Part 3, Uses of Funds, Homestead Program, Page 44)

Also, as FY 2005 closed. Rehabilitation construction was completed for a Homestead multi-family project at 1460-62-64 Columbia Road, NW for which project sponsor was the Central American Resource Center (CAResCen). Assignment of eight affordable Homestead homeownership units at this site was set to occur in the first quarter of FY 2006.

The Homestead Housing Program depends upon acquisition of DC tax-delinquent or abandoned property for re-sale to low-moderate-income first-time homeowners for \$250 through an annual lottery or to non-profit housing developers through a Request for Proposals. There was no Homestead lottery in FY 2005 due to a lack of available tax-delinquent properties. In the lucrative DC real estate market, property owners are paying their delinquent taxes and keeping their properties out of the tax sale marketplace.

In addition, the Homestead Program expended resources in our continuing efforts to clear title to additional tax-delinquent properties, with the objective of possibly conducting a Homestead lottery in FY 2006. This effort, too, is extremely labor intensive as a result of the fierce competition among property developers for residential real estate in the District.

### **Tenant First Right to Purchase Program and Tenant Apartment Purchase Assistance Program:**

Tenant First Right: The escalating value of property in DC has affected all housing programs geared toward low-moderate income persons. DHCD did not meet the Tenant First Right program goal of assisting 200 tenant households to convert their units to condominiums or CO-Ops. (2005 Action Plan Table 3, page 44) DHCD assisted 153 households into home ownership.

The FY 2005 goal of the Tenant Apartment Purchase Assistance Program was to provide technical assistance to 4000 households in tenant organizations to begin the process of apartment conversion to ownership. (2005 Action Plan Table 3, page 45) The goal was exceeded by providing this assistance to 8,456 households. Services provided included: counseling on first right to purchase as well as technical assistance, seed loans, “earnest money” deposit loans, and acquisition loans to tenant organizations so that they could begin the process of converting their rental units to ownership. Following conversion, the program also offers management assistance.

Tenant organizations are also eligible for DHCD rehabilitation assistance for converted properties under the Development Finance Project Financing Program.

#### ***b) Sustaining Current Owners:***

### **Single Family Home Rehabilitation:**

The Single-Family Residential Rehabilitation Program (SFRRP) is a source of low-cost financing for the rehabilitation of single-family owner-occupied housing located within the District of Columbia. . Program activities include repairs to correct housing code violations, to remove threats to occupant health and safety, and to reduce lead-based paint hazards. The program features a number of different financing mechanisms and emphases, including:

- Low-interest amortized loans and no-interest deferred loans for rehabilitation, with an automatic deferral of the first \$10,000 of rehabilitation financing for senior citizens,
- Grants for lead-based paint hazard abatement, and
- Grants for home improvements that enhance accessibility for occupants with disabilities through its Handicapped Accessibility Improvement Program (HAIP).

The FY 2005 goal of providing rehabilitation loans/grants to 35 homeowners was greatly exceeded. (2005 Action Plan Table 3, page 40) DHCD was able to provide assistance to 103 homeowners. Improved management of the loan application process and the addition of the Water Service Line Replacement Grant initiative increased both demand and DHCD’s ability to respond to single-family homeowners

In FY 2005, DHCD continued the Water Service Line Replacement Grant initiative which was first offered to low-income homeowners in FY 2004. This popular initiative provided grant financing on behalf of low-income residents for the replacement of their privately-owned lead water service lines. This independent initiative expanded the reach of the lead water service line replacement program of the DC Water and Sewer Administration (WASA), which is replacing the publicly-owned portions of those lines. In FY 2005, DHCD reserved \$385,000 for its projects, enabling 77 lower income households to replace the privately-owned portion of the water lines when taking advantage of WASA's offer.

Improvements in the loan process for the Single Family Residential Rehab program (SFRRP) also enabled DHCD to settle a higher number of loans for rehabilitation than expected. The improvements included streamlining the work scope development process and increasing the number of construction management staff to handle the increased workload.

### ***c) Increasing the Supply of Affordable Housing***

#### **Development Finance Project Funding:**

The overall 2005 Action Plan goal of providing funding for 1,508 units of affordable housing was exceeded. (2005 Action Plan Tables 3 on pages 42 and 43) DHCD funded multi-family rehabilitation or new single or multi-family construction of 1,617 affordable units.

DHCD's competitive process for funding development elicited more qualified proposals for pre-development assistance for new construction than for multi-family rehab projects. This continued a trend that began in FY 2003. DHCD's funding supported 746 new construction units and rehabilitation of 871 affordable multi-family units. New construction units exceeded the goal of 200 by 546 units, and multi-family rehab units fell short of the goal of 1,308 by 437 units. The overall total of funded affordable units exceeded goals. (See Appendix A, page 93, for specific project information.)

Since FY 2001, DHCD has provided funding for over 10,000 new or rehabilitated affordable housing units.

***d) Non-Housing Community Development & Community Organization Support***

**Neighborhood Investment:**

In FY 2005, DHCD's Neighborhood Based Activities (NBA) Program surpassed key Action Plan targets for Community-Based housing counseling (4,000) ('05 Action Plan Table 3, page 46) and Small Business and Commercial Corridor Development (300 businesses). ('05 Action Plan Table 3, page 48) Additionally, the goal of providing pro-active intervention services to 3,000 tenant households in buildings with expiring federal subsidies was exceeded. DHCD provided these services to over 4,000 tenants in 39 multi-family properties. ('05 Action Plan Table 3, page 47)

DHCD provided housing counseling to 17,662 tenants, homeowners and potential homeowners through community based organizations, and assisted 1,876 businesses with technical assistance to improve or expand operations. During the year, DHCD revised the goals to reflect the actual level of activity and demand for these services. The new goals: 8,000 for counseling, and 1,500 for businesses provided with technical assistance will carry forward into FY 2006. Given appropriate funding and vendors, the new goals will continue beyond FY 2006.

**Façade Improvements:**

One of the most important Neighborhood-Based Activities is to sponsor business façade redevelopment projects with local merchants. During FY 2005, the Department's Storefront Façade Program made significant strides in retooling its policies and parameters. The Action Plan ('05 Action Plan Table 3, page 49) goal of funding 100 facades was not met due to the timeframe requirements of the program, as described below.

The Department discovered that even though goals are set on an annual basis, the typical timeframe for façade completion is approximately 18 months. A Request for Façade Grant Applications was issued in May 2004 for FY 2005 façade activities. Six grantees were recommended for façade grant agreements as a result of that solicitation. Two of the grantees have since withdrawn their previously accepted applications. Two of the remaining four grantees have recently executed grant agreements and are expected to begin outreach activity for respective grants in the near future. The two remaining grantees are expected to execute their grant agreements by the end of calendar year 2005. In the interim, the Department spent significant amount of time during FY 2005 closing out its previous generation of façade grant projects, doing amendment work to a number of its existing façade grants and significantly, retooling the appropriate policies and parameters of the Façade Storefront Improvement Program.

**Crime Prevention:**

In FY 2005, DHCD set aside \$1,000,000 for Crime Prevention efforts in high crime areas of the District. ('05 Action Plan Table 3, page 52) After experiencing delays in initiating the

proposed crime prevention initiative, DHCD has partnered with other District agencies and community groups to participate in the District Government's overall crime reduction initiative. Three District agencies and four non-profits have been identified to receive a total of \$1.6 million to provide crime prevention activities in HOT SPOT areas (targeted geographic areas) of the District. As a result, the planned FY 2005 crime prevention efforts will be captured with identified crime prevention efforts for FY 2006.

Other neighborhood-based activities included: 1) a goal of providing pre-development affordable housing assistance to 42 affordable housing units in distressed areas of the District ('05 Action Plan Table 3, Page 50). DHCD exceeded this goal. For this activity four non-profit grantees were provided predevelopment assistance for 19 multi-unit projects for a total of 225 affordable units. Of these, 62 new units were substantially completed or made available as affordable housing units during FY 2005. Another goal was: 2) Targeted home rehabilitation through a community-based non-profit organization for 25 homes. ('05 Action Plan Table 3, page 51) The targeted home rehabilitation initiative resulted in 13 applications for assistance from the Bellevue community, of which seven (7) were eligible for assistance.

In carrying out its goals through non-profit and community development organizations, DHCD does not fund core organization functions. Grants are based on the capacity of neighborhood community development organizations and tailored to match community needs. In FY 2005, DHCD provided funding to 18 neighborhood community development organizations for a total of 26 Neighborhood Based Activities. (See also Tables 4, 5 on pages 8, 99; and Appendix B for specific activities funded.)

#### ***e) Community and Commercial Development***

DHCD distinguishes between major economic development activity and community development at a neighborhood-scale. DHCD plays a supplemental role to the Office of the Deputy Mayor for Planning and Economic Development in economic development by supporting neighborhood-based projects such as façade improvement and technical assistance to small businesses. It has also supported neighborhood economic health through its H Street CDC business micro-loan program and by providing development or public service support for community facilities.

**Business Micro Loans:** In FY 2005, the H Street CDC provided micro loans to five small businesses, satisfying the goal established in the '05 Action Plan. The DHCD loan underlying this program has been fully repaid by the H Street CDC, and the program will be discontinued. (See page 500 for list of '05 micro-loans)

#### **Community-Commercial Facilities:**

As part of its RFP funding process, DHCD includes community and commercial facilities as a category for funding, based on neighborhood need. There is no specific set-aside, but historically about 4-8 qualified projects may be funded. For FY 2005, DHCD projected

funding four such facilities, but actually funded nine (9). All of the projects were for special needs and senior housing. These included:

1. Walter Washington Community Center – Additional funding
2. The ARC – Additional funding (FY 2005 carryover funding)
3. Ft. Lincoln Regional Storm Water Management Facility
4. Patricia Sitar Center for the Arts
5. Carlos Rosario Career Center
6. Israel Manor Life Learning Center
7. Capital Area Food Bank
8. Dance Institute of Washington
9. Easter Seals DC Child Development Center

DHCD promotes community development and job creation by contributing to infrastructure projects. These include the façade development projects described under “Community Organization Support.” DHCD also provides funds to the D.C. Department of Transportation for streetscape improvements and the DC Housing Authority for site infrastructure improvements. In FY 2005, DHCD provided a total of \$4,379,024 of capital funds to two projects as follows: \$2,379,024 for the construction of a regional storm water management facility at Ft. Lincoln New Town, and \$2,000,000 for the construction of site infrastructure associated with the Arthur Capper Carrollsburg HOPE VI project.

## **2. Factors Affecting FY 2005 Goals:**

A number of economic factors are impacting the ability of low-to-moderate income residents to afford housing in the District of Columbia. DHCD has to expend more funds and provide greater subsidies to produce the same number or fewer affordable housing units. Even with increased loan amounts, it is extremely difficult to assist the targeted number of families to become homeowners due to the lack of properties available to families of moderate means.

Major External Factors are:

- The increased cost of housing in the DC market has decreased availability of property affordable to low-moderate income residents.
- The mismatch between cost of housing in the District and the earning potential of many residents; and
- A gap between skill and education levels of some residents for a job market requiring increasingly skilled and professionally-trained workers. (Based on Census Data)

### **a) Housing Market**

Starting in 2003 and continuing throughout FY 2005, sharp increases in home prices in Washington, D.C. and the surrounding suburban communities in Maryland and Virginia

have created obstacles to providing low-moderate-income households with homeownership opportunities and with rehabilitated and new affordable housing.

Last year, the Council of Governments indicated that the average price of homes in the District of Columbia jumped from \$384,553 to \$452,664 between 2003 and 2004, an increase of 17.7%. The time a house remains on the market also decreased to an average of 20 days throughout the region. This was a decrease of 33%--indicating that both higher prices and competition are continuing to affect the availability of housing for low-moderate-income residents. In September 2005, the D.C. Fiscal Policy Institute issued a draft report showing the number of affordable houses and apartments in the District declined by nearly 12,000 last year, as median rents jumped by 9% and home values by 32%. (Washington Post, September 14, 2005)

The long-range market picture is not encouraging. The region's affordable housing crisis is expected to get worse over the next decades due to the fact that housing production will not keep pace with economic development and job creation. According to a 2002 study published by the Center for Regional Analysis at the School of Public Policy at George Mason University, by 2025 the Greater Washington region is forecast to grow by 1,510,000 jobs and by 768,900 households (based on Cooperative Forecasts developed by local governments). As of the year 2000, the region already had a deficit in housing. By 2025, the forecast is that with the projected job growth, there will be a housing deficit of 218,200 units. Competition for housing is likely to continue to pricing pressure.

#### **b) Employment and Education:**

Combined with the shortage in the supply of affordable housing, many DC residents are also faced with a significant gap between their earning capacity and the cost of housing.

According to a study by Diana Pearce of the University of Washington (reported in September 2005 in the Washington Post), a "barebones budget" in the Washington region has increased dramatically over the past six years. The District was considered one of the least expensive locales within the region, even though the income required to subsist had risen at least 27% over the six years. The study found that a two-parent household, with an infant and a preschool-age child needed to earn \$60,339 to live in the District. The amount was based on what the researcher called a "self-sufficiency standard, the amount needed to cover basic needs such as housing, health care, food, clothing and transportation—without public or private subsidies. In the context of the overall income picture of the District of Columbia, there are serious implications for the future in maintaining a population that is economically and ethnically diverse.

The 2000 Census pointed out a disparity between the education and attendant earning levels of a significant percentage of DC residents and the kinds of jobs being created in the city and region. (Almost 43% had either not completed high school, or had gone no further than a high school education.) Limited opportunities for entry level and service positions



exist, but the salaries in these positions will not make home ownership possible and will even make some rental units out of reach. A Census income distribution shows that 45% of all District households had incomes of less than \$35,000. This income is less than was needed to rent a two-bedroom unit in 2004.

### **3. Actions to Overcome Obstacles to Affordable Housing:**

The District of Columbia has been taking steps to ameliorate the impacts of the current housing market, but is faced with the fact that existing resources will buy less in this competitive atmosphere.

Some of the steps taken by the District government include: a) adding a dedicated source of local funding for housing production through its Housing Production Trust Fund (HPTF) b) improving programs and processes to make project funding easier and faster; c) targeting investment by type of project and geographically in its funding processes; d) using inter-agency coordination and public-private partnerships to leverage public funding, and e) increasing outreach and marketing of programs and funding opportunities.

#### ***a) Dedicated Local Funding—HPTF***

In FY 2005, the Housing Production Trust Fund budget was \$87,503,587. The “Fund” is a local source of money for affordable housing development. DHCD combines all its eligible funding sources, federal and local, in its competitive funding process to maximize its support for affordable housing and community development projects. The HPTF is aimed at assisting the most vulnerable District residents. The Housing Act of 2002 requires that 80% of funds benefit households earning up to 50% of AMI, and that 50% of funds disbursed each year must be used for the development of rental housing.

#### ***b) Program and Process Improvements***

##### ***Programs:***

**Home Purchase Assistance**—FY 2005 represented the first full fiscal year that DHCD provided increased loan levels for first-time homebuyers with incomes less than or equal to 80% of Area Median Income (AMI) to try to keep pace with the rapidly increasing cost of housing. These new levels were approved by the Council in FY 2004. The maximum amount of HPAP loans for low-income homebuyers was increased to \$20,000 and for very-low income homebuyers was increased to \$30,000. Loans for moderate-income first-time homebuyers remained at a maximum of \$10,000. Payments on all loans are deferred for at least five years.

Due to the continuing intense competition for the limited inventory of affordable homes in the District, DHCD will make a series of recommendations to the Mayor and Council early in FY 2006 for changes to the local regulations governing the District’s homebuyer

assistance programs. The changes will allow increased levels of assistance and greater overall program flexibility. We expect the changes to make a significant impact in restoring viability to DHCD's home purchase assistance programs in the current residential real estate market.

**Single Family Home Rehabilitation:** DHCD's initiative to replace lead water pipes has continued successfully in 2005. DHCD provides qualified resident home owners with grants to replace lead-contaminated water service lines on private property in conjunction with the Water and Sewer Authority's (WASA) funding of water line replacement on public property. In 2005, 77 homeowners took advantage of this initiative. DHCD reserved \$385,000 for these projects.

***Processes:***

**Site Acquisition Fund Initiative (SAFI)**—This new 2005 initiative, uses a portion of the Housing Production Trust Fund (HPTF) as a source of funds committed exclusively for loans for non-profit housing developers to acquire sites to develop as affordable housing. SAFI is a public-private partnership, using HPTF funds matched by the participating lending institutions in a leveraged, revolving loan fund. Public funds are loaned at zero interest, which buys down the private funds to below-market rates. The private lenders manage and promote the fund. DHCD pre-qualifies the non-profit developers who may apply for SAFI loans. The initial 2005 funding for SAFI was \$30 million; \$15 million from the HPTF and \$15 million from the private lenders. Experience with SAFI in the short run indicates that it is a successful initiative and that private funds are outmatching public funds for the non-profit developers. DHCD will consider adding funding for FY 2006.

**Increased Funding Opportunities**—During FY 2005, DHCD added a second Request for Proposals (RFP) to its annual competitive funding process for affordable housing development proposals. The DHCD Streamlined Funding Process that was started in 2003, begins with a Notice of Funding Availability (NOFA) and provides clear, predictable application processes (RFP and RFA) for development proposals and for community services. The streamlining and the additional round of funding have combined to make it easier and faster for developers and neighborhood-based organizations to access funds for affordable housing and community-serving projects. As need dictates, and resources permit, DHCD will increase access with additional targeted RFPs. This system may assist DHCD to identify the potential recipients of funds in its Annual Action Plans.

**Anti-Displacement Policy**—It is DHCD's policy to minimize displacement in all of its projects. Each program officer in the Development Finance Division keeps track of any relocation required for a project. Project managers review developers' plans and revise those plans as necessary to minimize displacement. Where relocation is required, the project managers ensure, as part of the underwriting process, that the relocation plans are adequate and are funded as part of the project development costs. A number of DFD project managers have received training in the Uniform Relocation Act (URA).

Development Finance also has convened a team to oversee project compliance, including URA compliance, and to update the Division's operating protocols to ensure that all specialized monitoring disciplines are being addressed.

In FY 2005, five projects had tenants on site and required the submission and approval of temporary relocation plans. These projects were: Shipley Park Apartments, Las Marias Co-Op, Finsbury Square Apartments, Jubilee Housing renovation, and A Street Manor Co-Op. The developers of these projects are temporarily relocating tenants to other vacant units on their project sites to the extent possible in order to avoid off-project relocation.

Any required relocation generated by DHCD's single family rehabilitation projects is incorporated into each project work plan, and associated costs are factored into the budget.

**Increased Fair Housing Counseling and Outreach:** To ensure that all available information on housing options is communicated to diverse groups and that language or cultural barriers do not prevent access to housing options, DHCD conducted a Fourth Annual Fair Housing Seminar; distributed information in Spanish, Chinese, Amharic and Vietnamese; conducted four community fair housing trainings throughout the city, completed the Section 504 accessibility compliance contract with ULS, and contracted with the Urban League to complete the "2005 Analysis of Impediments to Fair Housing Choice."

**Proactive Interventions:** DHCD continued its proactive housing counseling program for tenants threatened with displacement due to the sale of buildings with expired Section 8 funding. DHCD obtains "opt-out" information from HUD and contacts tenant groups to offer assistance in developing options such as new rental units or tenant organization purchase of the building. During FY 2005, 4,000 tenants received counseling under this initiative. As a strategy to preserve existing affordable housing and assist tenants toward ownership, DHCD is considering expanding its preventive counseling services to focus more on retaining affordable multi-family properties which may or may not be subject to expiring Federal subsidy.

**Outreach and Marketing:** DHCD stepped up marketing of its housing development and homeownership loan programs through neighborhood forums; public housing tenant initiatives; DC employee home ownership workshops; distribution and mailings of program materials in English and Spanish, stakeholder roundtables with the Director, Sidewalk Housing Fairs and media advertising.

### **c) Targeting Investment**

#### **i. By Geographic Areas**

With available resources being stretched by market conditions, targeting investments and improving outreach and funding processes become even more important. In its funding process, DHCD awards bonus points to developers whose proposals meet established

targets. FY 2005, the Department continued to target its funding to address the demographic changes and needs identified in the 2000 Census, in the Administration's development priorities as noted in the Mayor's City-Wide Strategic Plan, through DHCD's Needs Assessment Hearings, and to meet current market challenges.

Through its city-wide citizen participation process, the District's Administration identified 13 areas for targeted investment. These remained priority areas for 2005.

*Table 6: District Areas for Targeted Investment*

1. Anacostia	8. Ivy City / Trinidad **
2. Bellevue	9. Minnesota / Benning
3. Columbia Heights	10. Near Southeast
4. Congress Heights	11. Pennsylvania Avenue / Fairlawn
5. Georgia Avenue, N.W.**	12. Shaw
6. H Street, N.E.	13. Takoma*
7. Howard University / LeDroit Park	

\*Takoma Park is not a CDBG-eligible area because of higher area incomes.

\*\* These areas are also HUD designated Neighborhood Revitalization Strategy Areas (NRSA)s.

These target areas meet the characteristics of the priority areas outlined in the District's FY 2001-2005 Consolidated Strategic Plan, which targeted investment to:

- Emerging Growth Communities, where development momentum has been established, but where further periodic investment is needed, and where existing residents need housing assistance to prevent dislocation;
- Government centers, Metro stations and the Convention Center;
- Neighborhoods in which there is a dense concentration of tax-delinquent, vacant, abandoned and underutilized housing and commercial facilities; and
- Gateways to the city – their first impression sets the tone for visitors' interaction with the city.

(Appendix D contains a map of target areas and a list of census tracts with their minority concentrations.)

In addition to these target areas, there also are two Neighborhood Revitalization Strategy Areas (NRSA), Georgia Avenue, NW, and Carver Terrace/Langston Terrace/Ivy City/Trinidad. A FY 2004 initiative, "Hot Spots" added targeted areas, and this initiative continued into FY 2005.

Under the Hot Spots initiative, the District of Columbia targeted activities from all agencies into a concerted initiative to increase public safety and reduce crime in fourteen "hot spots". Many identified areas overlap DHCD's target areas. The hot spots are based on Metropolitan Police Districts and are as follows: First District: Sursum Corda and 1st Street-

M Street, SW; Third District: 14th Street NW and North Capitol St.; Fourth District: Columbia Rd, NW, Georgia Ave. NW, Shepherd St. NW; Fifth District: Benning Rd. NE and W. Virginia Ave. NE; Sixth District: 50th Street NE and Clay Terrace NE; and Seventh District: Elvans Rd. SE, Valley Ave. SE, and Yuma St. SE.

**New Communities:** The planning for this new Administration initiative started in FY 2005. Neighborhoods with a combination of high levels of crime and poverty will be targeted for comprehensive physical, social and economic renewal that respects and retains current residents while adding to the diversity in incomes and population. Sursum Corda, which is also a targeted “Hot Spot”, is part of a New Community target area known as “Northwest 1”, and will be among the first areas addressed under the New Communities initiative.

DHCD anticipates playing an important role in funding affordable housing in targeted neighborhoods, and has included New Communities and Great Streets as part of the District’s anti-poverty efforts in the Five-Year Consolidated Plan.

### ***Basis for Assignment of Priorities***

The negative impact from the hot DC housing market combined with the Census data on employment and earnings raise serious implications for housing affordability for District residents. In response, DHCD has focused its resources on areas where private market development threatens displacement; where initial revitalization efforts can benefit from public incentive; and where preservation of housing stock and ownership promotion will have a positive impact on individuals and neighborhood diversity.

Within the targeted geographic areas, DHCD will assist low and moderate-income residents by:

- Preserving existing housing stock with rehabilitation for low-moderate income residents, before market forces remove the possibility;
- Protecting existing resident-homeowners with rehabilitation loans to maintain property up to code and stay in place in neighborhoods undergoing change;
- Providing funding for tenant groups to purchase and convert buildings for homeownership in areas where renewal threatens displacement, or where expiring Section 8 program properties are being sold, and
- Supporting revitalization of neighborhoods by funding commercial and community services through facility construction and/or neighborhood-based service loans/grants.

### **ii. Through the Annual Competitive Funding Process**

DHCD has simplified and standardized the process it uses to invest its federal and local funds by using an annual a competitive funding process. In FY 2005, DHCD added a second Request For Proposals (RFP) round of funding for its affordable housing programs.

It is planning to add some standard loan products to the RFP for the FY 2006 funding process. The funding process starts with a Notice of Funding Availability (NOFA) that is followed by issuance of a Request for Proposals (RFP) for development projects or a Request for Applications (RFA) for neighborhood services. Potential developers and public service providers are provided with clear, complete instructions for applying for funds. Pre-proposal conferences are held with potential applicants to “walk them through” the process and respond to questions. The results of the competitive process are known before the start of the next fiscal year, and budgeted in the first quarter of that following fiscal year, which runs from October 1st to September 30th.

The location and specific projects to be funded are not usually known when the Action Plan is filed with the US Department of Housing and Urban Development (HUD) in August (preceding the end of DC’s fiscal year), but the programs that DHCD will use, the amount and types of funds targeted for each program, who may apply, criteria for selection, the performance goals, and the geographic and population targets are all identified in the RFP process and referenced in each Action Plan. With the addition of a second funding round, DHCD is moving closer to being able to identify the projects it may fund in its Action Plans.

The process is guided by HUD’s “Guidelines for Preparing A Consolidated Plan Submission for Local Jurisdictions” (Office of Community Planning and Development), where the following is stated on page 18, **Location:** *“If the location of a specific project is not known or is confidential, the jurisdiction should identify the general area or activity. For projects for which the jurisdiction has not yet decided on a specific location, such as when the jurisdiction is allocating an amount of funds to be used for making loans or grants to businesses or for residential rehabilitation, the description shall identify who may apply for the assistance, the process by which the grantee expects to select who will receive the assistance (including the selection criteria), and how much and under what terms the assistance will be provided.”*

RFP Development Project Types, Priorities and Uses of Funds:

The most common, *eligible* project types funded by DHCD with its combined federal and local resources include:

1. Preservation of Expiring, Federally Subsidized, Affordable Rental Housing
2. Special Needs Housing
3. Elderly Housing
4. New Construction of Affordable Rental or For-Sale Housing
5. Substantial Rehabilitation of Affordable Rental or For-Sale Housing
6. Community Facilities

**Priorities:**

DHCD gives priority, in its funding process, to certain types of projects and target areas:

- Projects in one of the 13 strategic neighborhood investment areas, hot-spots and two NRSAs, (See Appendix D and page 86 for NRSAs.)

- Preservation of affordable housing for very-low and extremely-low-income households in buildings with expiring federal subsidies,
- Homeownership projects,
- Affordable rental housing development for extremely low-income households,
- Commercial and Community facilities that serve low-income communities, and
- Façade projects and commercial/retail building development in strategic investment areas or that leverage resources committed through the ReStore DC initiative, and
- Projects which provide high-speed internet access to units at no cost to residents.

#### **d). Through Coordination and Institutional Structure**

Another way to remain competitive in the District's "hot market" is to maximize the leverage of public investment by working with other agencies and/or stakeholders. The District of Columbia government's institutional structure facilitates internal coordination and cooperation.

##### **Inter-Agency Coordination:**

In the District of Columbia, executive functions are organized under the Mayor, City Administrator and four Deputy Mayors who supervise "clusters of agencies". This Deputy Mayor structure facilitates consultation across responsibility areas, and maximizes leveraging of public investments.

The Department of Housing and Community Development (DHCD) reports to the Deputy Mayor for Planning and Economic Development along with the following agencies: the D.C. Public Housing Authority (DCHA), DC Housing Finance Agency (DCHFA), Department of Public Works (DPW), Department of Consumer and Regulatory Affairs (DCRA), the Department of Employment Services (DOES) and the Office of Planning (OP). Weekly "Cluster" (groups of agencies by focus) meetings provide the opportunity to consult and coordinate plans and activities across disciplines. Participants discuss joint projects, legislative issues and other matters where coordination will promote common goals. The monthly Mayor's Cabinet Meetings provide another forum for consultation and coordination across the lines of "clusters" (human resources, criminal justice, parks & recreation, infrastructure etc.)

DHCD works closely with DCHA and DCHFA to maximize dollars available for housing opportunities for all income levels from extremely low to moderate income.

### **Partnering with the DC Housing Authority:**

DHCD has partnered with the DC Housing Authority (DCHA) in redevelopment of the Frederick Douglass/Stanton Dwellings, the New East Capitol public housing communities and the Arthur Capper/Carrollsbury Dwellings and the Eastgate Public Housing site through the HOPE VI Program.

The HOPE VI Program redevelopment plan for Frederick Douglass/Stanton Dwellings, renamed Henson Ridge, calls for a new, 600-unit community with all new infrastructure (streets, sidewalks and alleys), a new community center, new parks and open spaces, as well as significant investment in neighborhood schools. The development includes 320 home ownership units targeted to households with a range of incomes. The 280 rental units will serve a mix of public housing and moderate-income families. The housing mix also includes 42 senior bungalows, 28 stacked-flat apartments and 530 townhouses. To date, DHCD has committed \$8 million for infrastructure improvements, \$5.0 million in CDBG funds (disbursed) and \$3.0 million in capital funds (disbursement in progress). DHCD, at DCHA's request, capped the expenditure of capital funds at \$1.0 million and re-programmed the unexpended \$2.0 million to fund infrastructure construction at the Arthur Capper/Carrollsbury HOPE VI project. DCHA determined in FY 2004 that, because of unanticipated cost overruns on the Henson Ridge project, they were going to need the \$2million that was reprogrammed to the Arthur Capper HOPEVI project. These additional funds were requested by DHCD on DCHA's behalf in the FY 2006 capital project funding call and were authorized for expenditure starting in FY 2006.

The New East Capitol HOPE VI project, renamed Capitol Gateway Estates (formerly East Capitol Dwellings and Capitol View Plaza along with a HUD-foreclosed property) originally was to include 555 units of newly constructed mixed-income units. One hundred ninety-six units were to be public housing, 214 affordable and market rate rental units and 145 home ownership units, utilizing both lease-to-purchase and Section 8 home ownership rules and ensuring home ownership for a number of current residents.

However, DCHA recently acquired Capitol View Plaza II from the Federal Housing Administration and has developed a new redevelopment plan for Capitol Gateway Estates that is about to receive final approval from HUD. The new redevelopment plan, with a total 761 units will include 152 units of senior housing, 221 tax credit housing units, 177 market rate units, and 211 units of public housing replacement. DHCD has committed \$10 million in funding for this project for infrastructure improvements; \$3.0 million in CDBG funds (disbursed), and \$7.0 million in capital funds (disbursement in process and almost completed in FY 2005). DHCD also committed \$789,666 in Low Income Housing Tax Credits in FY 2003 to assist the construction of 151 new senior housing apartment units in the Senior Building.



In FY 2005, DHCD also requested at DCHA's request, as part of the FY 2006 capital project funding call, capital funding for the following additional DCHA public housing projects:

1. Arthur Capper HOPE VI—\$4,075,000 (in 2006 and 2007) for construction of site infrastructure associated with further phases of the multi-phase construction;
2. Eastgate HOPE VI—\$5,000,000 (in 2006 and 2007) for construction of site infrastructure associated with the project;
3. Langston Terrace Public Housing—\$1,000,000 (in 2008 and 2009) for rehabilitation to selectively replace infrastructure and restore the exterior integrity of this historic landmark property;
4. Lincoln Heights Public Housing—\$2,000,000 (in 2009 and 2010) for partial demolition of existing public housing and construction of new site infrastructure associated with new replacement townhouses;
5. Potomac Hopkins Plaza Public Housing—\$2,500,000 (in 2008 and 2009) for redevelopment of the existing public housing development and one-for-one replacement of all the existing units in a new on-and off-site development; and
6. Parkside Public Housing—\$3,000,000 (in 2008 and 2009) for site infrastructure associated with the one-for-one replacement of public housing units with townhouse units.

DHCD received funding authorization for all of the above funding requests during FY 2005.

### **e)e). Through Outreach—to Community and to Developers**

To ensure that eligible residents can take advantage of the affordable housing opportunities in the District and that potential developers are aware of the funding opportunities offered, the Department of Housing and Community Development (DHCD) conducts on-going community outreach and education program. (See page 8989 for further information on participation and outreach.)

DHCD's citizen outreach efforts are conducted in accordance with its Citizen Participation Plan via mass mailings, seminars, community meetings, etc. coordinated by the Office of Strategy and Communications (OSC). In conjunction with development of its Annual Action Plans and CAPER reports, the Department provides broad notice of public hearings which are held at convenient community locations, distributes draft documents to organizations, the media and residents and invites community input.

DHCD issues a minimum of four mass mailings a year (in excess of 1000 per mailing) to Advisory Neighborhood Commission Chairs and Commissioners and various community-based organizations (CBOs), community development corporations (CDCs), and other public/private entities regarding DHCD activities. DHCD distributes colorful brochures advertising and explaining its programs throughout the community. Activities include public

hearings, budget hearings, notifications of City Council actions, Notice of Funding Availability (NOFA), DHCD events, press releases, legislative issues affecting affordable housing, community meetings, groundbreakings, ribbon-cuttings, stakeholder “brown-bag” lunches with the Director, and responses to the “Ask the Director” website link. DHCD has an active program of outreach to minority groups, immigrant communities and persons with limited English usage for its programs and for information on Fair Housing. Information has been translated into Spanish, Chinese and Amharic. Additional mailings or distributions are done as necessary.

**Notice of Funding Availability—NOFA:**

The competitive funding process employed by DHCD starts with a Notice of Funding which is followed up with a Request for Proposals (RFP) for development projects, and a Request for Applications (RFA) for Neighborhood-Based Investment. Notice is widely broadcast to non-profit and for-profit developers; to Community Development Corporations and other community-based organizations. Pre-proposal conferences are held to explain the application processes; hot lines and our website provide quick response to questions that arise, and closing dates for proposals/applications are strictly adhered to. Independent selection committees assist DHCD with preliminary determinations. Stakeholders have expressed their satisfaction with the improved communications and openness of the funding process.

## PART 3. FUNDING: SOURCES AND USES

### 1. Sources of Funds:

The Department relied on three sources of funding to finance housing and community development projects, programs, and delivery costs. These include federal resources from the U.S. Department of Housing and Urban Development (HUD); local appropriated funds, the Housing Production Trust Fund (HPTF); “other funds” (which is composed certain loan repayments); and the private investments that are leveraged with these public resources.

### FEDERAL RESOURCES

Table 7 provides the data on FY 2005 federal funding sources and amounts.

*Table 7: FY 2005 Federal Entitlement Grant Allocations*

	<b>CDBG</b>	<b>HOME</b>	<b>ESG</b>	<b>HOPWA</b>	<b>Lead</b>
<b>Allocation</b>	\$22,463,000	\$10,055,626	\$836,352	\$11,802,000	\$0

The following additional federal funds were available in FY 2004:

<b>Program Income</b>	\$59,305,603	\$1,899,033	\$0	\$0	\$0
<b>FY 2004* Carry Over</b>	\$8,001,962	\$9,334,183	\$0	\$0	\$3,466,000

\*Note: These estimated carryover funds, which are shown as “Other” funds on the SF-424 forms, are not included in budget document that DHCD submits to the DC Council each year.

The net available federal funds for FY 2005 were:

<b>Net available federal funds</b>	\$89,770,565	\$21,238,841	\$836,352	\$11,802,000	\$3,466,000
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Carryover includes budget authority carried over for un-liquidated FY 2004 and prior Purchase Orders for continuing activities as well as increased Program Income (PI) collections. Also included in carryover are \$1.6 million and \$6.3 million in disallowed costs returned to HUD.

DHCD serves as the administrator for the CDBG, HOME, and ESG grants. The regional HOPWA EMA allocation is administered through and monitored by the D.C. Department of Health, HIV/AIDS Administration (HAA). HAA’s various programs and uses of funds are described in Part 5 of this document.

The Department also received two lead-based paint grants from HUD's Office of Healthy Homes and Lead Hazard Control beginning in FY 2004. These are: a Lead Hazard Control Grant for \$2,997,743 and a Lead Hazard Reduction Demonstration Grant for \$2,000,000. The District's match for these two grants totals \$4,482,071. The use of the grant funds is described on page 10.

## LOCAL RESOURCES

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Local Resources include the Housing Production Trust Fund (HPTF), local District Appropriated funds, and loan repayments. Local funds are broken down as follows:

*Table 8: FY 2005 Local/Other Funds Allocations*

	Housing Production Trust Fund	Local Appropriation	Loan Repayments	Lead Match	Other*
<b>Allocation</b>	\$87,503,587	\$2,339,960	\$6,974,215	\$4,482,071	\$462,000

\*Other consists of Land Acquisition and Housing Development Organization (LAHDO) \$416K and Portal Sites \$46K.

## Housing Production Trust Fund (HPTF)

The Housing Production Trust Fund (HPTF or "Fund"), authorized by the Housing Production Trust Fund Act of 1988 as amended by the Housing Act of 2002, is a local source of money for affordable housing development. The Fund is designed to direct assistance toward the housing needs of the most vulnerable District residents – very- and extremely-low income renters. Pending the receipt of feasible project proposals, the statute requires that:

- A minimum of 40 percent of all Fund monies disbursed each year must benefit households earning up to 30 percent of the area median income (AMI);
- A second minimum of 40 percent of the Fund monies must benefit households earning between 31 and 50 percent of the AMI;
- The remainder must benefit households earning between 51 and 80 percent of the AMI; and
- At least 50 percent of the Fund monies disbursed each year must be used for the development of rental housing.

The rest of the Funds may be used for "for-sale" housing development, single family housing rehabilitation, and loans and title-clearing costs associated with the Homestead Program. In FY 2005, DHCD created a new initiative, using HPTF funds. That initiative,

the Site Acquisition Fund Initiative (SAFI), combines public and private financing to increase access to site acquisition funds for non-profit developers of affordable housing.

Capital for the Housing Production Trust Fund is supplied from the legislated share of DC deed recordation taxes and real estate transfer taxes. DHCD also receives a separate local budget appropriation and loan repayments from its Home Purchase Assistance Program which it uses to make more loans within these programs. Finally, under other funds, the “Portal Site” is revenue generated from District-owned parking lots and the disposition of District-owned property. The revenue (\$46K) is a pass-through to the District and is budgeted for miscellaneous administrative expenses related to these activities.

## **LEVERAGED FUNDS**

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Home Ownership: DHCD provided more than \$3.5 million in direct loans of federal and local funds through the Home Purchase Assistance Program (HPAP) to support homeownership opportunities for low- and moderate-income residents. The HPAP borrowers in turn leveraged \$25.4 million in first trust private financing – a private: public ratio of 8:1.

Development Finance: The grant award criteria of the District’s housing and community development programs require the maximum use of private financial resources. Public funds are used to “close the gap” in providing the financing needed for selected projects. Therefore, the District’s housing production programs are expected to leverage a significant level of private funds. At the same time, however, DHCD recognizes that – with the District’s high real estate costs – projects that serve lower income households will require higher levels of subsidy.

In FY 2005, in producing affordable housing units (new and rehab, multi-family) DHCD leveraged almost \$165 million of private dollars on an investment of \$11.3 million in CDBG funds, \$15.7million in HOME funds and \$17.7 million of local funds. Overall, DHCD leveraged approximately \$2.97 for every dollar of HOME or CDBG spent on housing, commercial facilities and community facilities. Leverage from all sources of funds was \$3.00 for each public dollar

## **MATCHING FUNDS**

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There are two programs requiring matching funds: HOME and the Emergency Shelter Grant (ESG). In addition, In FY 2005, DHCD also provided matching funds for the two lead-based paint grants it received: the Lead Hazard Control Grant and the Lead Hazard Reduction Grant.

Under 24 CFR 92.218 *et. seq.*, the District must provide a matching contribution of local funds to HOME-funded or other affordable housing projects as a condition of using HOME monies. The District’s FY 2005 contribution was 25 percent of its non-administrative HOME draws. (The District has received a 50 percent reduction in its match requirement

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for HUD Program Year 2004, which is the District's Fiscal Year 2005.) The District's HUD FY 2004 (DC FY 2005) Match liability was \$172,886.74 which was met by using excess Match from prior federal fiscal years. (See Part 4 for discussion of HOME and ESG matches, and Appendix E for Home Match Report.)

### **Low Income Housing Tax Credits**

The low-income housing tax credit (LIHTC) program, created in 1986 and made permanent in 1993, is an indirect federal subsidy through the Internal Revenue Code used to finance the construction and rehabilitation of affordable rental housing. Washington lawmakers created the LIHTC as an incentive for private developers and investors to generate investment in affordable housing. Typically, affordable rental housing projects do not generate sufficient profit to warrant the necessary investment.

The LIHTC is a dollar-for-dollar reduction in federal tax liability of the investors in exchange for providing investment funds to develop affordable rental housing. The tax code allows a dollar-for-dollar payment of the tax obligation of the investors with the LIHTCs received for the equity contribution in the affordable housing. Thus the investor may invest a sum based upon the amount of tax credits to be received from the housing that will allow the investor to receive his return solely from the tax credits. This allows rental units to be developed at below-market rates because the rents repay the debt financing and the tax credits repay the equity investment.

LIHTC projects must meet income eligibility requirements for the tenants; in other words, owners must keep the units rent restricted and available to low-income tenants for at least 30 years.

### **Nine (9) Percent vs. Four (4) Percent**

The tax credit can be used to construct new buildings, or to renovate existing rental buildings. The LIHTC is designed to subsidize either 30 percent or 70 percent of the low-income unit costs in a project.

The 30 percent subsidy, which is known as the so-called automatic 4 percent tax credit, covers new construction that uses additional subsidies or the acquisition cost of existing buildings. The 70 percent subsidy, or 9 percent tax credit, supports new construction without any additional federal subsidies, claimed pro rata over 10 years.

Rental properties that qualify for the LIHTC tend to have both lower debt service payments and lower vacancy rates than market-rate rental housing. LIHTC properties typically experience a relatively quick lease-up and offer strong potential economic returns, primarily due to the existence of the credit. LIHTC properties are often packaged as limited partnerships such that they afford limited liability to their investors.

Tax credit housing is generally located where the land costs are lower and the tax credit allowable rents are sufficient to allow for market-rate rents. Nonetheless, with the help of additional federal, state and local subsidies, many developers have made these projects financially feasible. The LIHTC program can offer developers and investors great opportunities to provide quality affordable housing to low-income residents and an opportunity to earn a profit.

DHCD did not apply Low Income Housing Tax Credits during FY 2005.

## **2. Uses of Funds:**

The following pages contain information on DHCD use of funds in FY 2005 for affordable housing, and community development projects by source and program.

Tables 9-12 display DHCD's FY 2005 Budget allocations for use of federal funds in the CDBG, HOME, ESG and HOPWA programs.

**DHCD PROGRAM FEDERAL FUNDS BUDGETS**

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*Table 9: FY 2005 CDBG Program (CD-29) Budget*

<b>1.</b>	<b>Homeownership and Home Rehabilitation Assistance</b>	
a.	Home Purchase Assistance Program (HPAP)	\$1,952,660
b.	Single Family Residential Rehabilitation Program	1,682,869
c.	Homestead Housing Preservation Program	1,410,006
d.	Home Ownership Developer's Incentive Fund (HODIF)	150,000
	<b>Subtotal</b>	<b>\$ 5,195,535</b>
<b>2.</b>	<b>Affordable Housing/Real Estate Development</b>	
a.	Development Finance Division Project Funding	\$8,956,477
b.	Tenant Apartment Purchase	2,651,200
c.	Real Estate Acquisition and Disposition	0
d.	Title VI	0
	<b>Subtotal</b>	<b>\$11,607,677</b>
<b>3.</b>	<b>Neighborhood Investment</b>	
a.	Neighborhood-Based Activities (including NISP & CASSP)	\$8,750,555
	<b>Subtotal</b>	<b>\$8,750,555</b>
<b>4.</b>	<b>Economic and Commercial Development</b>	
a.	Economic Development	\$200,000
b.	Real Estate Services and Property Management	366,799
c.	National Capital Revitalization Corporation (RLA-RC)	\$1,200,000
	<b>Subtotal</b>	<b>\$1,766,799</b>
<b>5.</b>	<b>Agency Management Program</b>	<b>\$5,407,906</b>
<b>6.</b>	<b>Program Monitoring and Compliance</b>	684,528
	<b>Total CDBG Program</b>	<b>\$33,413,000</b>



*Table 10: FY 2005 HOME Program Budget*

<b>1. Agency Management Program</b>	
a. Property Management	\$957,900
<b>Subtotal</b>	<b>\$957,900</b>
<b>2. Affordable Housing/Real Estate Development</b>	
a. DFD Project Financing	\$5,461,531
b. Tenant Apartment Purchase Activity	0
<b>Subtotal</b>	<b>\$5,461,531</b>
<b>3. Homeownership and Home Rehabilitation Assistance</b>	
a. Home Purchase Assistance Program	\$2,981,197*
b. Single Family Residential Rehabilitation	1,055,000
<b>Subtotal</b>	<b>\$3,322,418</b>
<b>TOTAL HOME Program</b>	<b>\$10,455,628</b>

\*Includes ADDI funds for FY '03 and '04 received in '05, \$713,779.

*Table 11: FY 2005 Emergency Shelter Grant Budget*

<b>Homeless Support and Prevention</b>	
Emergency Shelter Grant Management	\$836,352
<b>TOTAL ESG Program</b>	<b>\$836,352</b>

*Table 12: FY 2005 Housing for Persons With AIDS Program EMSA-Wide Budget*

<b>HOPWA Eligible Activity</b>	
1. Housing Information Services	\$280,752
2. Resource Identification	
3. Acquisition, Rehab., Conversion, Lease, and Repair of Facilities	
4. New Construction, Dwellings and Community Residences	
5. Project-based Rental Assistance	336,313
6. Tenant-based Rental Assistance	\$5,820,790
7. Short-term rent, Mortgage, and Utility Payments	1,254,850
8. Supportive Services	2,449,171
9. Operating Costs	506,941
10. Technical Assistance	190,000
11. Administrative Expenses – 7% Cap	664,441
12. Administrative Expenses – Grantee 3% Off the Top Total HOPWA Formula Award	298,712
<b>TOTAL HOPWA Program</b>	<b>\$ 11,802,000</b>

HOPWA budget information received from DC DOH—HAA.

## USE OF FUNDS FOR AFFORDABLE HOUSING

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### 1. Homeownership Promotion

#### *Homebuyer Assistance, Housing Recycling and Preservation*

During FY 2005, DHCD provided more than \$3.5 million in direct loans of federal and local funds through the Home Purchase Assistance Program (HPAP) to support homeownership opportunities for 194 low- and moderate-income residents. The HPAP borrowers in turn leveraged \$25.4 million in first trust private financing – a private/public ration of nearly 8:1.

In addition, DHCD invested \$5,627,776 in CDBG funds and \$2,860,110 of Housing Production Trust Fund funds to help 153 tenant households in the process of converting their rental units to ownership. DHCD also invested \$669,976 of CDBG funds, \$544,341 of HOME funds and \$931,741 of local funds to provide 103 single-family homeowners with loans/grants for rehabilitation of their homes. (See Table 13)

There was no Homestead lottery in FY 2005 due to a lack of available tax-delinquent properties. The Homestead budget of \$1,410,006 provided project delivery support for the continuing home rehabilitation efforts associated with 16 housing units that had been made available through Homestead lotteries in past years. Of these 16 rehabilitation efforts, 10 were completed in FY 2005. Two more were more than 90% completed at the close of the fiscal year, with only minor items to be completed prior to occupancy. This level of achievement exceeded the FY objective of five units assisted. (2005 Action Plan Table 3, (See Table 13,, Page 45)

Also, as FY 2005 closed. Rehabilitation construction was completed for a Homestead multi-family project at 1460-62-64 Columbia Road, NW for which project sponsor was the Central American Resource Center (CAResCen). Assignment of eight affordable Homestead homeownership units at this site was set to occur in the first quarter of FY 2006.

The Homestead Housing Program depends upon acquisition of DC tax-delinquent or abandoned property for re-sale to low-moderate-income first-time homeowners for \$250 through an annual lottery or to non-profit housing developers through a Request for Proposals. In the lucrative DC real estate market, property owners are paying their delinquent taxes and keeping their properties out of the tax sale marketplace.

In addition, the Homestead Program expended resources in our continuing efforts to clear title to additional tax-delinquent properties, with the objective of possibly conducting a Homestead lottery in FY 2006. This effort, too, is extremely labor intensive as a result of the fierce competition among property developers for residential real estate in the District.

**Table13: Homeownership and Home Rehabilitation Expense, FY 2005**

Program	Units	CDBG Expense	HOME Expense	Other / Local Expense
Home Purchase Assistance Program (HPAP)	194	\$1,345,013.	\$2,205,419	\$2,235,102
Homestead Housing Preservation Program	10*	\$757,225	0	0
<b>Subtotal</b>				
Single Family Residential Rehabilitation Program (SFRRP)	103	\$1,025,612	\$532,861	\$1,043,432
<b>TOTAL</b>	<b>307</b>	<b>\$3,127,850</b>	<b>\$2,738,280</b>	<b>\$3,278,534</b>

\*Properties from prior year lotteries serviced

## **2. Increasing the Supply of Affordable Housing**

### ***a. Multi-Family Housing Rehabilitation and New Housing Construction Assistance***

DHCD provided CDBG and HOME funding, along with other funding sources, to support the rehabilitation of 647 multi-family affordable housing units, and new construction of 290 multi-or-single-family units. DHCD used Low Income Housing Tax Credits and DC Housing Production Trust Fund funding to support the rehabilitation of 328 multi-family units and 156 of the new multi- and single-family units in the total 1,617 units supported. CDBG funding also assisted in the acquisition of 89 of the 153 units acquired by tenants for conversion to ownership units under the District of Columbia's First Right Purchase Law. Rehabilitation of 64 units was funded from local sources.

(See Table 14, on page 46)

In addition, DHCD funded redevelopment of nine commercial and community facilities during FY 2005. In total, DHCD provided \$66.3 million in loans and grants to supplement \$198.7 million in private and other financing, for an overall leveraging ratio of 3.0:1 and a residential development leveraging ratio of 3.27:1.

**Table 14: Affordable Housing Production Expense, FY 2005**

Program	Units	CDBG Expense	HOME Expense	Other / Local Expense
DFD Project Financing, Multi-Family Housing CDBG	705	\$26,712,509	0	\$29,396,852
DFD Project Financing, Multi-Family Housing HOME	367	0	\$9,308,621	0
Single Family New Construction	0	0	0	0
Tenant Apartment Purchase, Acquisition for Rehab.	153	\$2,573,226	0	0
<b>Total</b>	<b>1,225</b>	<b>\$29,285,735</b>	<b>\$9,308,621</b>	<b>\$29,396,852</b>

**Table 15: Affordable Housing Units Created/Rehabilitated FY 2005**

Program	Units	CDBG Funding	HOME Funding	Other / Local Funding*	Private Funding
Multi-Family New Construction	746	\$2,100,000	\$3,750,000	\$4,320,000	\$98,647,472
Multi-Family Rehabilitation <sup>1</sup>	871	\$9,296,900	\$12,021,453**	\$13,408,562***	\$65,866,189****
Single Family New Construction	0	0	0	0	0
Tenant Purchase Prog.	153	\$5,523,776	0	\$2,860,110	\$480,500
<b>Total</b>	<b>1,770</b>	<b>\$16,920,676</b>	<b>\$15,771,453</b>	<b>\$20,588,672</b>	<b>\$164,513,661</b>

\*Note – Count includes HPTF, CIP and LIHTC-funded units.

\*\*Includes funding for two projects that reported units in FY 2004 (Jubilee Housing & Dubois Gardens Condos)

\*\*\*Includes funding for two projects that reported units in FY 2004 (Howard Hill Apts. and Jubilee Housing)

\*\*\*\* Includes funding for three projects that reported units in FY 2004 (Howard Hill Apts., Jubilee Housing and Dubois Gardens Condos.)

<sup>1</sup> With or without acquisition.

***b. Funding Units by Income Levels and Special Needs:***

DHCD makes every effort to serve the diverse elements of its population through the projects it funds. DHCD requires that its funded projects be barrier-free housing, and it has earmarked local Housing Production Trust Fund monies to ensure that purpose. Table 16 shows the number of units funded by household income level, for special needs, and for seniors.

Nine Projects funded under DFD project funding by DHCD in FY 2005 were for special needs and/or seniors.

These include:

1. New Day Transitional Housing—12 units of transitional housing,
2. Graceview Apartments—38 units of transitional housing for persons coming out of homelessness or assigned by the court system,
3. 4211 2nd Street, NW—9 units out of 23 units in a mixed-income building for housing persons with mental challenges,
4. Four Walls Development—15 units of transitional housing,
5. Hope Apartments—10 units of transitional housing,
6. Neighborhood Consejo—6 units of transitional housing
7. St. Paul Senior Living—56 units of affordable senior apartment units,
8. Victory Housing —75 units of affordable senior apartment units, and
9. Eastgate Seniors Building—100 units of affordable senior apartment units.

***Table16: FY 2005 DFD Units Funded: By Income Level and Special Needs***

<b>Funding Category</b>	<b>Special Needs</b>	<b>Extremely Low \$26,100 (0-30%)</b>	<b>Very-Low \$43,500 (31-50%)</b>	<b>Low-Income \$52,200 (51-60%)</b>	<b>Low-Mod \$68,300 (61-80%)</b>	<b>Senior</b>
LIHTC	0	0	0	112	0	100
HPTF	43	125	173	28	7	56
CDBG	38	74	171	412	0	0
HOME	9	40	0	60	34	75
<b>Totals:</b>	<b>90</b>	<b>239</b>	<b>344</b>	<b>612</b>	<b>41</b>	<b>231</b>

Note: See also section (P71) on ESG/Continuum of Care for additional units assisted by DHCD funding.

Income Limits based on: Household income for 4-person household as used in the RFP for FY 2005 project funding; Individual programs have specific income levels which are used for that funding source.

### **3. Non-Housing Community Development**

***Neighborhood Investments-Community Organization Support.***

“Neighborhood Investments” includes a broad range of programmatic initiatives carried out through neighborhood community development organizations working in their local service

areas. Grants are based on the capacity of neighborhood community development organizations and tailored to match community needs. DHCD does not fund core organization functions.

In FY 2005, DHCD provided funding to 18 neighborhood community development organizations for a total of 26 Neighborhood-Based Activities. DHCD provided \$4,831,203 in CDBG and HOME (CHDO Operating) funding for a range of initiatives such as: housing counseling services, small business and commercial corridor development and support for tenants subject to expiring federal subsidies. Tables 17-19 contain information on key neighborhood based activities' Work Programs and funding for FY 2005. (See also Appendix B for more specific information on activity funded by organization.)

***Table 17: CDC Neighborhood Investments-Community Organization Support  
Expense, FY 2005***

<b>Program</b>	<b>Units</b>	<b>CDBG Expense</b>	<b>HOME Expense</b>	<b>Other/Local Expense</b>	<b>Total</b>
Neighborhood-Based Activities	N/A	\$5,053,528	0	0	
<b>Total</b>	<b>N/A</b>	<b>\$5,053,528</b>	<b>0</b>	<b>0</b>	<b>\$5,053,528</b>

### **Neighborhood-Based Activities**

One of the most important Neighborhood-Based Activities is to sponsor business façade redevelopment projects with local merchants. During FY 2005, the Department's Storefront Façade Program made significant strides in retooling its policies and parameters. While the Action Plan ('05 Action Plan Table 3, page 49) fiscal year goal was 100 facades, the Department has found that a period of 18 months is needed for the completion of facades as explained below.

The Department discovered that even though goals are set on an annual basis, the typical timeframe for façade completion is approximately 18 months. A Request for Façade Grant Applications was issued in May 2004 for FY 2005 façade activities. Six grantees were recommended for façade grant agreements as a result of that solicitation. Two of the grantees have since withdrawn their previously accepted applications. Two of the remaining four grantees have recently executed grant agreements and are expected to begin outreach activity for respective grants in the near future. The two remaining grantees are expected to execute their grant agreements by the end of calendar year 2005. In the interim, the Department spent significant amount of time during FY 2005 closing out its previous generation of façade grant projects, doing amendment work to a number of its existing façade grants and significantly, retooling the appropriate policies and parameters of the Façade Storefront Improvement Program.

DHCD invested \$2,140,512 of CDBG funds to exceed its FY 2005 Action Plan goal of providing comprehensive counseling services to 17,662 persons. Also in FY 2005 DHCD expanded its preventive housing counseling services continuing its activity focused on providing training and support for tenants subject to expiring federal housing subsidies. As part of this activity, DHCD provided training and assistance to over 4,000 tenants in 39 multi-family properties.

**Table 18: Business Counseling and Housing Counseling Funding, FY 2005**

Program	Units	CDBG Funding	HOME Funding	Other / Local Funding
Small Business TA—Com. Corridor Asstnc.	1856	\$1,233,529		
Housing Counseling	17,662	\$2,140,512		
TPTAP Housing Counseling	8,456	\$358,400		
<b>Total Housing Counseling</b>	<b>26,118</b>	<b>\$2,498,912</b>		
<b>Business TA</b>	<b>1,856</b>	<b>\$1,233,529</b>		

### **Community and Commercial Development**

The District adopted a strategy to create job and business opportunities for District residents as part of its effort to create and maintain healthy and viable neighborhoods. This has several benefits, including a stronger tax base, more stable neighborhoods and more income to afford increasing housing costs.

**Table 19: Community and Commercial Development Expense, FY 2005**

Program	CDBG Expense	HOME Expense	Other/Local Expense
Economic Development Program	\$24,356.	0	\$440,169
Urban Renewal and Community Development; Property Management	\$284,254.	0	0
Community Development Planning Contracts and Studies	0	0	0
Special Grants Program	0	0	0
NCRC	0	0	0
<b>Total</b>	<b>\$308,610</b>	<b>0</b>	<b>\$440,169</b>

#### **Economic Development:**

DHCD does not assume the lead DC role in major economic or commercial development. In a supportive role, DHCD funded, under community and commercial development, two Section 108 Loan Service Payments, property maintenance for 25 properties (including

salaries and benefits), and processing of abandoned properties for acquisition and sale as affordable housing under the Home Again Program.

An important vehicle for achieving this strategy has been the operation of a CDBG-funded micro-loan program through the H Street Community Development Corporation. In FY 2005, DHCD funding assisted small businesses with 5 micro-loans. The underlying DHCD loan to the H Street CDC has been fully repaid, and the micro-loan program completed. Assistance was provided in FY 2005 to the following ventures:

Details on the FY 2005 micro-loan activity:

■ Mb Staffing	\$25,000
■ BK Henry Funeral Home	\$25,000
■ Diane Lee - Solutions for Hair	\$7,000
■ Hillman Barbershop	\$21,000
■ Capitol Community News	\$14,250

## 10. Other Uses Of Funds

### General Administration and Overhead

*Table 20: General Administration and Overhead Expense, FY 2005*

Program	Units	CDBG Expense	HOME Expense	Other/Local Expense
General Administration and Overhead	N/A	\$4,734,220	\$307,700	\$12,330,861
<b>Total</b>	<b>N/A</b>	<b>\$4,734,220</b>	<b>\$307,700</b>	<b>\$12,330,861</b>